



Profitability relation, corporate social responsibility fund, and environmental performance with firm value

ABSTRACT

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The paradigm of a company that was originally only oriented to profit has shifted to the triple bottom line, namely not only concerned with economic interests but also a commitment to the environment (planet) and people (people). This study aims to determine the effect of profitability and funds on Corporate Social Responsibility on corporate value and to determine environmental performance as a moderating variable on the relationship of profitability and funds of Corporate Social Responsibility to the value of the company. The population in this study are companies included in the SRI-Kehati Index 2013-2016. The sample of research is 12 companies taken by purposive sampling technique. The data analysis method used is multiple linear regression analysis and Moderated Regression Analysis (MRA). The results showed that profitability has a positive and significant effect on firm value. Conversely, Corporate Social Responsibility funds have no effect and insignificant to the value of the company. While environmental performance is significantly able to moderate the relationship between profitability and Corporate Social Responsibility funds to company value.

Keywords: Corporate Value, Profitability, Corporate Social Responsibility Fund, Environmental Performance

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INTRODUCTION

Industrial development requires companies to compete and position themselves to withstand various pressures, by mobilizing all resources and optimizing company management. Companies whose businesses want to grow and develop sustainably, do good management and add value to the community and environment so as to enhance the value and reputation of the company (Lako, 2014: 38). According to the Stakeholder

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Theory, the company is not only responsible for the owner, but more towards social (social stakeholders). Signaling theory explains that corporate actions signal to investors how management views a company. Signals of success or failure of management (agent) can be conveyed to the owner (principal) and encourage signals arise due to asymmetric information between the company (management) and outsiders, where investors know the internal information of the company is relatively small and slow compared to the management (Brigham & Houston, 2011: 184). The value of the company can be increased by reducing asymmetric information by signaling external parties in the form of positive information so as to reduce uncertainty about future growth in the company. According to Chen and Lee (2017) when companies invest in CSR more will increase the ratio of institutional shareholders and the expansion of the scale of companies that impact on profit growth thus increasing the value of the company.

Some research results show that CSR funds have a positive and significant impact on firm value (Pratama et al, 2017). Chen and Lee (2017) explained that when investing in CSR more would increase the ratio of institutional shareholders and company-scale expansion that has an impact on profit growth thus increasing the value of the company. Therefore, the value of the company has a positive effect on the implementation of CSR. CSR Expenditure can be in the form of programs that can improve community welfare, provide scholarships, improve infrastructure and maintain the environment (Afandani, 2016). The purpose of this research is (1) to know the effect of profitability and Corporate Social Responsibility fund to company value, (2) To know environmental performance to strengthen profitability relationship and Corporate Social Responsibility fund with company value.

LITERATURE REVIEW

Stakeholder Theory

Stakeholders are all internal or external parties that are influential or influenced and are direct or indirect. Stakeholders are internal or external parties, such as government, international, competitors, communities, outside companies and environmentalists, workers, minorities and so on that greatly influence and influence the company. The company is not only responsible for the owner, but more towards social stakeholders, which is now often called social responsibility. This phenomenon occurs because of public demand due to negative externalities and social imbalance. Therefore, corporate responsibility which was initially measured as limited to economic indicators in financial statements is currently shifting by taking into account social factors for stakeholders, both internal and external companies

Legitimacy Theory

Legitimacy is a psychological state of partiality of people and groups of people who are very sensitive to the symptoms of the surrounding environment, both physical and non-physical. Carrol, A & Buchholtz (2003) in Hadi (2011: 87) stated that the development of public awareness and civilization opens up opportunities for increasing demands on environmental health awareness. Wibisono stated that corporate social responsibility has the benefit of increasing reputation, maintaining the company's image and strategy. Legitimacy of the company in the eyes of stakeholders is to increase corporate social responsibility (social responsibility) which is a significant factor to support the image and reputation of the company in the eyes of stakeholders O'donovan (2002) argues that organizational legitimacy can be seen as something that society gives to the company and something that the company wants or wants of the community. Thus legitimacy is a potential benefit or data for companies to survive (going concern). Community

legitimacy is a strategic factor for the company in developing the company to the fore. This can be used to construct the company's strategy, especially related to efforts to position themselves in an increasingly advanced society.

Signaling Theory

Signal theory is a company action that signals investors on how management views a company. Signal theory discusses signals of success or failure of management (agent) that can be conveyed to the owner (principal). The drive for signals arises because of asymmetric information between firms (management) and outsiders, in which investors know the internal information of the company relatively little and slower than the management (Brigham & Houston, 2011: 184). Company value can be increased by reducing asymmetric information by giving outside signals in the form of financial information so as to reduce uncertain future corporate growth that will increase the value of the company.

H1: The greater the level of profitability and corporate social responsibility funds, it will increase the value of the company.

H2: The greater the level of profitability and also corroborated with environmental performance, the greater the value of the firm.

H3: The greater the level of Corporate Social Responsibility funds and is also corroborated by environmental performance, the greater the company's value.

METHOD

This type of research is quantitative research, with a quantitative approach. The population in this study are companies listed in the Sustainable and Responsible Investment Index (SRI)-Kehati period 2013-2016 Sampling is determined by purposive sampling technique. From the above criteria selected 12 companies as research samples, namely:

Table 1. Research Sample

No	code	company
1	ADHI	Adhi Karya Tbk
2	ASII	Astra International Tbk
3	BBCA	Bank Central Asia
4	BBNI	Bank Negara Indonesia Tbk
5	BBRI	Bank Rakyat Indonesia Tbk
6	BMRI	Bank Mandiri Tbk
7	JSMR	Jasa Marga Tbk
8	PGAS	Perusahaan Gas Negara (Persero) Tbk
9	SMGR	Semen Indonesia Tbk
10	TINS	Timah Tbk
11	TLKM	Telekomunikasi Indonesia (Persero) Tbk
12	UNTR	United Tractors Indonesia Tbk

Source: data processed by researchers, 2017.

The type of data used in this study is secondary data in the form of financial data and annual report of the company, scientific articles from academic journals, relevant textbooks and internet sources related to the company's annual report period 2013-2016. The data collection technique is done by the documentation method and hypothesis

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testing in this research using regression analysis with moderation variable (Moderating Regression Analysis).

RESULT

Based on the analysis obtained can be seen that the value of R Square of 0.562 or 56.2%. This shows that the variable of company value proxied by PBV can be explained by profitability variable (ROA, ROE NPM), Corporate Social Responsibility (CSR) and Environmental Performance of 56.2%. While the remaining 43.8% is explained by other variables beyond the independent variables that have been included in the model.

Table 2. Results of Coefficient of Determination
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750 ^a	.562	.510	.28570

Source: data processed by researchers, 2017.

a) Effect of Variables on Moderation of Environmental Performance on the Relationship between Profitability and Firm Value.

1. ROA

Table 3 Moderation of ROA Variables

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.779	.329		5.410	.000
	ROA	.283	.092	.531	3.064	.004
	KL	-.558	.128	-.802	-4.363	.000
	Moderasi	1.164	.517	.536	2.253	.029

a. Dependent Variable: PBV

Based on moderation test results (ROA multiplied by KL) showed that moderation significance was $0.029 < 0.05$. This means that the Environmental Performance variables (moderating variables) interact with the variable ROA (independent variable) and also significant relation with the variable of firm value (dependent variable) then variable Z is quasi moderator variable (pseudo moderator).

2. ROE

Table 4. Moderation Test Results Variable ROE
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.441	.344		4.182	.000
ROE	.372	.153	.477	2.430	.019
KL	-.176	.186	-.253	-.945	.350
Moderasi	.554	.453	.354	1.222	.228

a. Dependent Variable: PBV

Based on the result of SPSS output showed that moderation test (ROE multiplied by KL) showed moderation significance equal to $0,228 > 0,05$, so variable of Environmental Performance (moderation variable) did not interact with ROE variable (independent variable) and also not significant relation with variable of firm value (dependent variable) then variable Z is homologized moderator variable.

3. NPM

Table 5. Moderate Variable Test Results NPM Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.716	.152		4.716	.000
NPM	-.861	.921	-.251	-.934	.355
KL	-.449	.205	-.645	-2.188	.034
Moderasi	1.544	.522	.850	2.960	.005

a. Dependent Variable: PBV

Based on the results of the moderation test (NPM multiplied by KL) showed that the moderation significance was $0.005 < 0.05$. This means that the Environmental Performance variables (moderating variables) interact with NPM variables (independent variables) and are also significantly related to the firm value variable (dependent variable) then variable Z is the quasi moderator variable (pseudo-moderator).

b) The Effect of the Variable Moderation on Environmental Performance on the Relationship between Corporate Social Responsibility and Company Value.

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Table 6. CSR Variable Moderation Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	8.708	4.435		1.964	.056
CSR	-2.679	1.420	-.302	-1.887	.066
KL	-1.613	.590	-.2317	-2.732	.009
Moderasi	.031	.012	2.225	2.662	.011

a. Dependent Variable: PBV

Based on the results of the moderation test (CSR multiplied by KL) showed that the moderation significance of 0.011 < 0.05. This means that the Environmental Performance variables (moderating variables) interact with CSR variables (independent variables) and also relate significantly to the firm value variable (dependent variable), then the variable Z is the quasi moderator variable (pseudo-moderator).

DISCUSSION

The Effect of Profitability on Corporate Value

Based on hypothesis testing showed that profitability proved to have a significant and positive impact on company value. The results of this study are in line with the research of Tjahjono (2013), Apsari et al (2015), Ayu and Suarjaya (2016) and which states that profitability affects the value of the company, this is because the company signals investors regarding the performance and prospects of the company in the future. Investors are more interested in companies that have high profits that will affect the stock price eventually the value of the company will increase. Investors tend to be interested in companies that have high returns. Brigham and Houston (2011: 184) explained that the actions taken by the company would provide guidance for investors or give signals to investors about how management views the company's prospects, this is because of asymmetric information between the company (management) and outsiders, where investors knowing the company's internal information is relatively small and slow compared to the management.

The Effect of Corporate Social Responsibility Funds on Corporate Value

Based on data analysis and testing hypotheses that have been carried out in this study, it can be seen that Corporate Social Responsibility funds do not affect the value of the company. The absence of firmness related to CSR in Indonesia becomes a problem in itself. Implementation of CSR in Indonesia has been regulated in Law No. 40 of 2007 on Limited Liability Company. But the Act does not impose sanctions if a company does not implement CSR. Therefore, many companies are implementing their CSR in an unsustainable and accountable manner, moreover, transparency, because the Act does not provide clarity to sanctions if the company does not implement CSR (Irawan, 2016). There are still many companies that have not disclosed or included details of CSR funds issued by the company in the annual report or on the sustainability report.

There are still many companies in the use of CSR funds are not transparent and accountable and often local people still feel that the realization of the program does not

cost as much as written. In addition, the allocation of CSR funds is still considered as a burden for the company because it affects the decline in corporate profits. Therefore, the allocation of CSR funds is considered to be able to reduce profit sharing for shareholders so that investors are not interested in investing in the company.

According to Friedman, free-market science will determine the allocation of resources that are scarce in an optimal manner. The company supports the implementation of CSR only when the allocation of company resources carried out for CSR programs contributes to the optimization of corporate profits that are the same as the activities of the allocation of company resources for other activities. So when the implementation of CSR does not contribute comparably to the company's earnings then the company is considered to have taken action against the interests of shareholders (Solihin, 2011: 39). This has become one of the reasons why investors do not respond well to Corporate Social Responsibility funds.

The results of this study are in line with the results of research Afandani (2016) and Yudharma (2016) related CSR Expenditure which shows that CSR funds have no effect on the value of the company. CSR activities carried out by the company require additional costs from the allocation of profits (profits) of the company, so that CSR activities will reduce the level of profit higher for shareholders. Investors tend not to use employee and community welfare costs as a basis for consideration when investing because the financial benefits generated are still uncertain other than that the costs incurred reduce the company's net profit.

In addition to impeding the operation of the free market system, CSR is considered to be cynical and selfish. This is because companies that do CSR only aim to improve the company's reputation in the eyes of the public and not seriously to improve the welfare of the community at large, therefore they think that CSR programs implemented by the company only cynical so that the benefits or impacts resulting from the implementation of CSR less perceived by society. This is what makes investors less consider the existence of CSR so that this does not affect the value of the company (Solihin, 2011: 41).

Effect of Variable Modification of Environmental Performance on Profitability Relation to Company Value

Based on the above research shows that the environmental performance variables are able to moderate the relationship of profitability to firm value. The results of this study support the theory of signaling, in which positive information from the company to external parties can reduce the uncertainty of future corporate growth (Brigham & Houston, 2011: 184). signaling is what can reduce asymmetric information so as to increase the value of the company. This is an interest for investors because they see that funds invested by investors are not only used to increase profit (profit) of the company but also used for a social community that has broad benefits so that this impact on increasing the value of the company.

The results of this study are in line with the results of research by Manoppo and Arie (2016), Ayu and Suarjaya (2017) who stated that profitability significantly affects company value because the company gives a signal to investors related to the performance and prospects of the company in the future. Profitability is used as an investor to assess the performance of the company that will affect the decision-making related funds to be invested so as to comply with the value of the company.

Meanwhile, the results of this study also support the results of research Indahniati (2016), Lingga and Suaryana (2017) stating that environmental performance has a significant positive effect on corporate value. Companies that are more concerned about environmental issues will indirectly benefit economic sustainability, namely: First, the

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financial performance and profitability of the company will be more robust. Second, the appreciation of investors, creditors, suppliers, and consumers is increasing so that it will increase the assets and value of the company's shares. Third, commitment, work ethic, efficiency, and employee productivity are increasing so that positive impact on increasing profit and company value. Fourth, the decreased vulnerability of social turmoil and the surrounding community resistance so that the company can operate in a conducive business environment. Fifth, improve the reputation, corporate branding, and goodwill of the company so as to increase market share and in the long run can increase the value of the company (Lako, 2014: 146).

Financial performance (profitability) and disclosure of environmental performance become good news for stakeholders or outside parties that can influence perception investors to corporate image. Furthermore, a positive image will enhance the company's reputation which is then appreciated by stakeholders such as investors or potential investors. Through a good reputation, the value of the company can be capitalized, classified and reported in the company's annual report on which the company's value will increase.

The Effect of Variable Modeling on Environmental Performance on Fund Relation of Corporate Social Responsibility to Company Value

The results of testing the hypothesis found evidence that the variable environmental performance as a moderating variable can influence the relationship of CSR to the value of the company. In other words, environmental performance can increase the value of a company at a time when CSR is high, and on the contrary, environmental performance can reduce the value of the company when the company's CSR is low. The size of the environmental performance shown by PROPER can moderate the relationship of profitability to firm value. This is because awareness of the impact caused by environmental damage has grown in the company, so companies consider long-term survival by maintaining a natural balance. With the company budgeting a number of funds for corporate social responsibility, this can reflect the company's environmental performance well. When the profitability of a company is high, then the allocation of funds for CSR activities will also increase, so that the size of the program run by the company will have an impact on increasing the value of the company. Environmental performance has become a new trend in changing the management of community empowerment programs that are more oriented towards empowerment. The system-based approach requires good governance of programs ranging from policy, budgeting, organizational structure, planning, implementation, evaluation and publication (Prismono, 2016). This makes the company when it has a good environmental performance rating will certainly be an added value for the company, because the community or stakeholders are more considering companies that do social responsibilities well and have a good environmental performance so that the value of the company will increase. Esty & Winston (2006) explains that there are two sources of corporate and industry pressures involving themselves in environmental issues. First, the limited natural resources in the world which eventually become a major obstacle to business and can threaten the existence of species and humans. Second, the limitations of natural resources then drive the direction of the market so that the company is faced with many and varied parties who care about the environment. Businesses need a concept that can embrace the three pillars of sustainable development of "people, planet, and profit".

The organization continually seeks to convince outsiders that they perform activities within the limits and norms of the communities in which they are located, therefore the

legitimacy of society is a strategic factor of the company to position itself in the midst of society as well as efforts to develop the company in the future.

The results of this study support the results of research by Iqbal et al (2013), Indahniati (2016), and Lingga and Suaryana (2017) which show that environmental performance has a significant effect on firm value, this is because stakeholders believe in the company that a company with good environmental performance will respond positively by the public or outsiders so that the image or image of the company will increase and will have a positive impact on the value of the company.

CONCLUSION

- a. Profitability variables have a positive and significant effect on firm value.
- b. Variable Corporate Social Responsibility (CSR) funds proxied with Corporate Social Responsibility funds allocation have no effect on company value.
- c. Environmental performance variables proxied with PROPER as a moderating variable can strengthen the relationship of profitability with firm value.
- d. Environmental performance variables proxied with PROPER as a moderating variable can strengthen the relationship of Corporate Social Responsibility funds with firm value.

Suggestions

- a. Based on the results of the research and conclusions, the suggestions from this study are as follows:
- b. CSR is a firm commitment (not an obligation) to contribute to building a sustainable economy. Because CSR implementation is very dependent on the company's awareness and commitment. Until now there is no sanction for companies that do not run CSR, except for companies engaged in certain areas.
- c. It takes firmness from the government on CSR's terms, whether with regard to the amount, form, activity, evaluation and reporting and sanctions.

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